



HEALTH AND HUMAN SERVICES

Goal: Make Michigan's People Healthier and Our Families Stronger

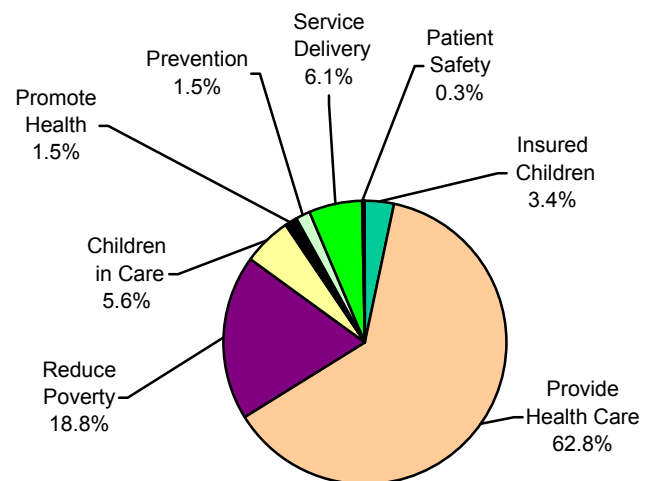
The Governor strongly believes that quality of life is important to the economic strength of Michigan. For Michigan to be a great place to live and work, we must improve the health of our citizens and strengthen our families. Cash assistance, social services, and medical services are provided to low-income families, children and individuals to preserve and strengthen Michigan's social safety net. Public health programs and prevention services are available statewide to encourage and support healthy behavior and positive health outcomes. These services and programs are important indicators of the Governor's commitment to the well being of all Michigan residents.

The Executive Budget for fiscal year 2006 proposes Health and Human Services spending of \$14.5 billion of which \$3.9 billion is general fund. 140 activities in 10 departments support this goal.

Health and Human Services Initiatives

Medicaid Reform. Increases in caseloads and costs have pushed Michigan's Medicaid expenses to record levels. There are 1.4 million people receiving medical coverage under Medicaid. Medicaid costs for fiscal year 2005 are expected to reach \$6.1 billion. To address this issue, the Governor is proposing a Medicaid Reform Plan that will save money, while maintaining basic medical coverage for all current recipients. First-year savings are budgeted at \$78 million.

Health and Human Services Spending Plan



Total: \$14.5 Billion

Strategies to Achieve Goal

- Increase the number of insured children and preserve existing health coverage for adults.
- Provide medical, mental health, substance abuse and long-term care services to low-income children, families, the elderly, veterans and the disabled.
- Reduce the number of children living in poverty.
- Reduce the number of children in the child welfare system.
- Prolong life and protect the public health by promoting the State Surgeon General's "Prescription for a Healthier Michigan" to reduce obesity and prevent teen smoking.
- Ensure that Michigan's vulnerable citizens have access to prevention and early intervention services.
- Improve the delivery of health and human services by lowering overall costs, improving technology and streamlining the way work gets done.
- Improve Michigan's patient safety and health care by increasing the number of health care providers engaged in quality improvement programs.

Components of this plan are:

- A freeze on Medicaid enrollment for 19 and 20 year old young adults. Those currently on the program will maintain their medical coverage until they reach age 21 or otherwise lose their eligibility.
- Implementation of a limited benefit package for 19 and 20 year old young adults, and low-income adults who are caring for their own, or related, children. This basic package includes outpatient services, inpatient hospitalization and prescriptions with the following limitations: 20 day annual limit on inpatient hospital days; a \$10 co-pay on emergency room visits and a limit of four prescriptions each month. There is no coverage for hearing, speech, physical therapy, occupational therapy, or vision services.
- Implementation of a Medicaid estate recovery program that recoups taxpayer funds spent on nursing home care from the patient's estate.
- Closure of loopholes in Medicaid eligibility for long-term care to prohibit the sheltering of financial assets that can be used to pay for the patient's care.
- Implementation of a physician provider assessment to increase physician reimbursement rates while saving \$40 million in state funds.
- Implementation of a community mental health provider assessment to increase payment rates while saving \$35 million in state funds.
- Elimination of the current 3-month retroactive Medicaid eligibility period prior to the date of application.
- Implementation of a Medicaid Family Planning Waiver that will help reduce unintended pregnancies and infant mortality rates while saving \$6.5 million on childbirth costs.
- Implementation of a third-share plan to provide medical insurance for low-income working families who are not eligible for Medicaid.



Spending Priorities

- **Medicaid Medical Services for Over 1.4 Million People Including Families, Children, the Elderly and the Disabled**
\$6.9 billion total; \$1.6 billion state general fund
- **Mental Health Funding for State Institutions and Community Services**
\$2.6 billion total; \$1.1 billion state general fund
- **Public Health Funding to Promote the Health and Well-Being of Michigan Residents**
\$450 million total; \$62 million state general fund
- **Funding for the Family Independence Program to Provide Basic Cash Assistance to Low Income Families**
\$394.3 million total; \$168.5 million state general fund
- **State Disability Assistance Funding to Provide Basic Cash Assistance to Over 10,000 Disabled Adults**
\$37.3 million total; \$32.2 million state general fund
- **Funding to Support 11,400 Children Who Have Been Placed in Out-Of-Home Care Due to Abuse or Neglect in their Own Homes**
\$214.0 million total; \$86.6 million state general fund
- **Adoption Funding to Help Find Permanent, Adoptive Homes for Children**
\$243.6 million total; \$91.1 million state general fund
- **Funding to Improve Patient Safety and Ensure Quality Health Care**
\$42.1 million total; \$6.4 million state general fund
- **Food Assistance Funding**
\$1.2 billion total; \$0 state general fund

Family Independence Agency Technology Improvement. Funding of \$8.5 million is included in the Governor's budget for technology improvements in the Family Independence Agency. From 2000 to 2004, the FIA caseload increased by 42 percent while the number of first-line eligibility workers decreased by 18 percent. Food stamp errors were reduced to 7.3 percent in 2004 but must be reduced below 6 percent to avoid further federal financial penalties. Audit exceptions related to eligibility have been found in cash assistance and energy programs. Efficiencies from technology improvements will improve client services and reduce the need for additional workers. The Executive Budget funds two projects:

- Caseworker Relief Project: Replaces obsolete and error-prone equipment including printers, telephone systems and document management equipment.
- Integrated Service Delivery Project: Re-engineers and integrates the eligibility and case management functions for both financial and social services programs (e.g., cash assistance, medical assistance and child care).

Increase the Number of Insured Children and Preserve Existing Health Coverage for Adults

In this tight budget year, the Governor's fiscal year 2006 priorities preserve medical coverage for children, families and individual adults. This coverage includes outpatient services, inpatient services, and prescriptions.

- Children are covered up to 200 percent of the poverty level with a full benefit package.
- Adults are covered in the following categories with a full benefit package:
 - Adults with children are covered up to 50 percent of the poverty level.
 - Pregnant women are covered up to 185 percent of the poverty level.
 - The elderly, blind and disabled are covered up to 100 percent of the poverty level.
 - Childless adults are covered up to 35 percent of the poverty level with a limited benefit package that includes only outpatient services and prescriptions.

"Medicaid is a vital link in the nation's health care system, providing not only health services for the poor but also for senior citizens in nursing homes as well as some of their drug costs. The federal government must do all it can to ensure these programs are not shortchanged as the numbers needing the services mount."

Midland Daily News, January 25, 2005

Medical coverage for children contributes to good health and good health habits as they prepare for and progress through school. Coverage for adults functions as a work support as low-income families strive for economic security.

Provide Health Services to Low-Income Children and Adults

The fiscal year 2006 Executive Recommendation increases Medicaid, mental health and substance abuse funding by \$214.3 million general fund. This increase covers caseload, utilization changes and inflation, and demonstrates the Governor's commitment to providing medical care to Michigan's low-income population. This commitment is further demonstrated by net state funding increases of \$161.2 million to replace the loss of special federal financing and \$9.8 million to replace a decrease in federal matching funds. These losses of federal support are a significant contributor to the increase of \$362.7 million in state funds in the Department of Community Health budget for fiscal year 2006.



New Initiatives

Michigan's Medicaid Reform Plan Includes the Following Components:

- **Freeze Enrollment for 19 and 20 Year Old Young Adults**
Savings of \$5.0 million total; \$2.2 million state general fund
- **Limit Benefits for 19 and 20 Year Old Young Adults and Certain Adult Caregivers**
Savings of \$6.4 million total; \$2.8 million state general fund
- **Implement an Estate Recovery Program**
Savings of \$10.0 million total; \$4.3 million state general fund
- **Close Loopholes in Eligibility for Long-Term Care Services**
Savings of \$18.4 million total; \$8.0 million state general fund
- **Implement a Physician Provider Assessment to Increase Physician Reimbursement Rates**
\$124.3 million total; Savings of \$40.0 million state general fund
- **Eliminate Retroactive Eligibility**
Savings of \$28.3 million total; \$12.3 million state general fund
- **Eliminate Coverage for Chiropractic Services**
Savings of \$1.3 million total; \$6 million state general fund
- **Implement a Family Planning Waiver**
Savings of \$6.6 million total; \$7.8 million state general fund
- **Implement a Third Share Plan to Provide Medical Insurance for Low-Income Working Adults who are not Eligible for Medicaid**
\$10.0 million total; \$0 state general fund

Additional Initiatives Include:

- **A Caseworker Relief Project and an Integrated Service Delivery Project to Enhance Caseworker Productivity in the Family Independence Agency**
\$8.5 million total; \$4.3 million state general fund
- **Medicaid Mental Health Rate Increase Financed with a Provider Assessment**
\$123.8 million total; Savings of \$35.0 million state general fund

The state covers a range of medical services for 1.4 million Michigan residents. Included are outpatient and inpatient services; prescriptions; coverage for children with special needs; long-term care; substance abuse education, prevention and treatment; and out-patient and in-patient mental health services.

For fiscal year 2006, Michigan is doubling the number of adolescent health centers. Funding will increase from \$3.7 million to \$8.5 million, using School Aid funds as the state match for federal Medicaid dollars. This funding more than doubles the number of health centers from 31 to 65. Services include health care access while encouraging academic achievement and providing family support.

Special Financing. The federal government has been aggressively limiting the ability of all states to leverage federal funds. For Michigan, this has resulted in a significant cost shift to the state. In fiscal year 2006, the net loss of federal funds related to Michigan's special financing arrangements is over \$161 million in state funds.

Reduce the Number of Children Living in Poverty

Michigan's social safety net for fiscal year 2006 has been preserved in the Governor's Executive Budget. Sixteen percent of Michigan families with children have incomes at or below the poverty level and many of these families receive assistance from the state. The following programs provide financial support for low-income families and single adults:

- The Family Independence Program, funded at \$394.3 million, provides basic cash assistance for 78,500 low-income families.



Spending Reductions

- **4% Medicaid Provider Rate Reduction**
\$139.1 million total; \$60.6 state general fund
- **Reduce Hospital Graduate Medical Education Payments by 4%**
\$6.8 million total; \$3.0 million state general fund
- **Children's Special Health Care Services: Eliminate Coverage for Adults Over Age 21 With Other Health Insurance**
\$4.6 million total; \$4.6 million state general fund
- **Children's Special Health Care Services: Increase Parent Pay Premiums**
\$0.0 million total; \$1.8 million state general fund
- **State Support for Primary Care, Rural Health Care, and Michigan Essential Health Care Provider Program**
\$0.6 million total; \$1.2 million state general fund
- **Funding to Friends of the Court**
\$5.6 million total; \$5.6 million state general fund
- **Foster Care Caseload Reductions**
\$12.8 million total; \$5.0 million state general fund
- **Administrative Savings in FIA and DCH**
\$8.6 million total; \$6.3 million state general fund
- **Reduce Juvenile Justice Facility Costs**
\$7.9 million total; \$3.8 million state general fund

- Federal funding of \$1.2 billion provides food assistance for 526,800 families.
- Medicaid funding of \$6.9 billion provides medical coverage for over 1.4 million people.
- Energy and weatherization assistance funding of \$135.1 million helps over 350,000 households pay their home heating bills.

These financial support programs work in concert with the welfare-to-work programs in the Department of Labor and Economic Growth to assist low-income families prepare for, and obtain, employment. Child day care is also an important work support for low-income families while they are employed or participate in education or training.

School-based Family Resource Centers are an additional component of this strategy. Located in high need elementary and middle schools, they are staffed by caseworkers and help at-risk families obtain services such as cash assistance, food assistance, Medicaid, child care, and social services. There are currently 39 centers that bring direct service delivery into low-income neighborhoods.

Reduce the Number of Children in the Child Welfare System

Providing a safe and stable home for children is a high priority for the Governor. There are over 19,000 children in Michigan's foster care program. These children and their families are the focus of a range of services designed to protect children in their own homes and in out-of-home care. The foster care program, funded at \$214 million, provides basic care and supervision until children are returned home or adopted. When children must be removed from their own homes, the adoption program and the adoption subsidy program assist in placing children in adoptive homes and in supporting those who are adopted. The Executive Budget funds the adoption subsidy program at \$230 million for fiscal year 2006. This subsidy is available for adopted children until they turn 18.

The Governor also recommends a full complement of community-based services for families and children. These services, funded at \$75.5 million, are designed to strengthen families and prevent child abuse and neglect.

Prolong Life and Protect the Public Health

Prevention programs that encourage and promote good public health habits continue to be high priorities. The fiscal year 2006 budget includes \$29.4 million for prevention programs. These programs build on the Michigan Surgeon General's recommendations with a focus on reducing obesity and preventing smoking. Available throughout the state, prevention programs include disease prevention, smoking cessation/prevention, arthritis management, hearing screening, family planning, immunization registry, cardiovascular health, infant mortality, physical fitness, and maternal/child health. Michigan's success with prevention programs will improve the health of individual citizens and reduce state costs associated with health care for chronic diseases.

Health indicators show that Michigan had both successes and challenges in achieving public health and prevention outcomes from 2000 to 2003.

- Teen birth rates per 1,000 females dropped from 41.5 to 34.4.
- Coronary heart disease death rate per 100,000 people declined from 213.7 to 183.1.
- Cigarette usage among adults increased from 24 percent to 25.8 percent.
- Cigarette usage among youth declined from 25.7 percent (2001) to 22.5 percent.
- Obesity was relatively constant at 22.5 percent to 22.8 percent.
- Infant mortality per 1,000 live births increased from 8.2 to 8.5.

Ensuring continued safety at each step of the food chain through enforcement of Michigan's strict food and dairy laws continues to be a priority of the Governor and the Department of Agriculture. Working in partnership with federal and local agencies, the state strives to ensure overall food safety via continued implementation of its "farm to fork" approach to security at every stage of food production. The fiscal year 2006 recommended level of support is \$30.6 million gross; \$12.9 million general fund for various food safety efforts.



Expenses Eliminated

- **State Support for Local Public Health Department Vision and Hearing Screening**
\$5.2 million total; \$5.2 million state general fund
- **Eliminate Elder Prescription Insurance Coverage Effective January 1, 2006 when Medicare Prescription Drug Coverage Begins**
\$13.5 million total; \$13.5 million state general fund
- **State support for Senior Citizen Centers Staffing and Equipment**
\$1.1 million total; \$1.1 million state general fund
- **Special Programs Funded by the Temporary Assistance for Needy Families Block Grant**
\$3.0 million total; \$3.0 million state general fund
- **Aquifer Protection and Dispute Resolution Program**
\$650,000 total; \$200,000 state general fund
- **Food Safety Public Information and Outreach**
\$150,000 total; \$90,000 state general fund
- **Migrant Labor Housing Grants**
\$250,000 total; \$250,000 million state general fund
- **Michigan Housing and Community Development Fund**
\$2.0 million total; \$0 state general fund

Ensure That Citizens Have Access to Prevention and Early Intervention Services

This strategy focuses on programs that protect vulnerable citizens from exploitation and abuse, help maintain them in the community and assist them in becoming economically and socially independent. Programs and services funded under this strategy for fiscal year 2006 include:

- Local programs funded through the Community Services Block Grant for \$27.4 million that support employment, education, money management, housing and other services to encourage self-sufficiency.
- Adult Protective Services to protect vulnerable adults and help them live and function independently.
- Funding of \$17.2 million for domestic violence and rape prevention services.
- Aging programs funded at \$94 million that support a range of senior programs including nutrition, health education, and employment assistance.
- Home and community based waiver programs that provide a community in-home alternative to nursing home care.
- Funding of \$190 million for the Home Help program that supports independent living for those who are aged, blind or disabled.

Improve the Delivery of Health and Human Services

Administrative and organization efficiencies are an important part of the Governor's emphasis on providing more and better services with a wise investment of limited state resources.

Funding under this strategy includes:

- \$1.7 million for the Certificate of Need process to expand or renovate health facilities.
- \$35.5 million for local health departments to implement and carry out critical public health services.
- Administrative savings of \$8.6 million in the Family Independence Agency and the Department of Community Health. These savings support the administration's priority of focusing resources on client services.

Improve Patient Safety and Health Care

Quality improvement activities will help achieve better health outcomes for Michigan's Medicaid population and reduce the cost of care. For fiscal year 2006, the Governor's budget recommends:

- \$25.7 million for assessment and evaluation of long-term care facilities to ensure compliance with state law and licensing rules. This activity licenses psychiatric hospitals, substance abuse programs and other facilities.
- \$16.4 million for licensing and registration of 33 health professions. This activity ensures compliance, investigates complaints and reviews cases of medical malpractice.

Indicators of Success

- Fewer children living in poverty
- Fewer children placed in out-of-home care
- Increased percentage of children with health coverage
- Reduced cigarette usage among youth and adults
- Improved health indicators for Michigan residents
- Lower infant mortality rates
- Improved access to quality health care